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The **Management REVIEW**



COMMENT • DIGEST • REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

Organization and Operation

The AMA serves its members through six divisions: Office Management, Insurance, Personnel, Finance, Marketing, and Production. Each of these divisions is headed and directed by a man drafted from industry.

Conferences

Each of the six AMA divisions holds at least one annual conference, where problems of timely importance in its field are discussed. Printed conference proceedings go to members of the divisions concerned.

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The AMA Information and Research Department places at the command of every member company a trained research staff on management problems. In addition, the AMA maintains a modern, up-to-date library of management books and business publications.

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THE MANAGEMENT REVIEW (monthly) contains digests of articles on management appearing in over 400 publications, and brief reviews of current business books. It enables a busy man to survey all current topics of interest to him in less than 30 minutes. PERSONNEL (quarterly) publishes articles on employee selection, training, compensation, and the like. BUSINESS CONDITIONS AND FORECASTS (monthly) gives a summarized analysis of the statements of six of the foremost business services.

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The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

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October, 1939

THE advent of the European war has liquidated a lot of experts who were not sufficiently circumlocutory in their prognostications that there would be no war. But it has created, along with a host of easy-chair field marshals, a horde of pseudo-authorities who have the evolution of the war and its effect on the United States all figured out to a nice conjectural "t". And although the experts who shut all doors behind them are now silent, in a dazed resentful way, they will no doubt emerge much wiser for the lesson they have learned.

In business the guessers must come to grips with many exceedingly brassy and irritatingly persistent problems—e.g., whether to buy commodities or not to buy commodities, whether to expand or not to expand, etc. For those who are puzzled, we recommend the reading of a piece with the cheery title, *Plan for the Postwar Depression* (page 337). It does not give the answers to specific current questions, but it will make you think twice if you are steamed up about "war prosperity." It's the sort of thing that gives you pause, hauls you up short, and leaves you out of breath. After it is borne in upon you that depressions almost inevitably follow wars, you are floored with a right-cross about the company problems such a debacle will bring.

FROWNING commentary of the month on the relations of employers and employees is the news of plans to install lie detectors in some San Francisco department stores. A sorry state of affairs, you will say. So do we. But apparently the intentions are the best and everything about the idea is scientific and up-and-uppish. Seems that department store employees now and then take things that don't belong to them. The lie detector is trotted out and the suspect questioned. The blood pressure is recorded as he answers questions, and the charted data determines whether he is fibbing or not.

Bonding companies and similar organizations are also interested in the idea, says a report from *Business Week*, abstracted in this journal on page 341 (*Lie Detectors for Employees*). Unions have misgivings, but are watching with interest.

Current Comment

GOVERNMENT DEFICIT EFFECTS

WE have had repeated warnings with respect to the dangers involved in the growth of the public debt—but somehow no calamity has as yet occurred. The fact is that many have reached the conclusion that this talk about Government deficits is only a bogey. Since the credit of the Federal Government—as gauged by its ability to borrow at low rates—appeared never stronger than now, many incline to the view that the increase of the public debt has as yet had no adverse effects—that it has served as a stimulus to private business without undermining the credit of the Government.

The ability of the Government to borrow at low rates is attributable mainly to the lack of satisfactory alternatives. Because of the stagnation in private capital markets, current savings cannot find their accustomed outlets. Part of them lie idle in bank reserves; some of them have gone to bid up the prices of the outstanding securities of private corporations, with resulting low yields; and some have gone to the purchase of Government issues—particularly those of short term, where the risk of ultimate loss is least. The Government has simply benefited by the dearth of competing private demands for the available supply of investment funds.

The other side of the picture is that the growth of the public debt has been steadily increasing the amount of taxes that must be collected—without proportionately increasing the taxable wealth or the tax-paying capacity of the nation. In the main, Government deficits have gone for consumptive purposes which—whatever indirect benefits they may yield—do not produce capital values that increase the revenue-yielding properties of the country.

In short, the effects of persistent Government deficits are manifesting themselves chiefly in connection with the growth of tax requirements in relation to taxable income. Our studies indicate that there has been a progressive increase in the ratio of taxes both to the gross income and to the net distributable income of all classes of corporations. The result is a constant trenching upon the sums available for wage payments as well as for profits. The founda-

tions of private capital enterprise are thus steadily being weakened.

Looking at the matter from the standpoint of total taxation in relation to total national income, we find that whereas total taxes absorbed from 11 to 12 per cent of the national income in the twenties, in the years 1934 to 1937 about 17.5 per cent was taken in taxes. In 1938 the amount absorbed rose sharply to 22.8 per cent—accounted for partly by a shrinkage in national income and partly by a substantial increase in the total revenues collected. The increase occurred both in Federal and in state and local taxes.

The growth of public indebtedness also has a profound psychological effect. Growing fears of ever-increasing taxes and of the ultimate breakdown of Government credit result, inevitably, in timidity with respect to the safety of long-term ventures, both on the part of business enterprisers and of investors. Short-term commitments such as those involved in current business operations in connection with the production of consumer goods will be readily undertaken; but uncertainty over the future seriously restricts long-term investment enterprise.

The ultimate effects of Government deficits not only upon the credit of the Government but upon private investment find illustration in current trends in France. The following summary statement covering French experience during the last decade was written by the French Finance Minister, M. Paul Reynaud:

For four years the State absorbed the whole of our national savings, mainly for unproductive purposes. Despite all the artificial measures taken to reduce interest rates, to grant advances to traders and industrialists, the French loan market has become one of the dearest in the world. Everyone knows that in practice it is impossible to obtain mortgage loans at under 9 or 10 per cent. Everyone knows that if there is the slightest risk a private borrower cannot obtain capital at less than 10 or 12 per cent. Between 1928 and 1937 private issues of shares fell from 8.3 billions of francs to 1.2, while private issues of bonds fell from 6.4 to 2.3 billions. The drop is large enough but would be even greater if account were taken of the depreciation of the franc. The collapse of private borrowing is due to the scarcity of available capital, a scarcity due principally to constant appeals from what has become almost the one and only borrower, the State.

Persistent Treasury deficits and mounting indebtedness may thus eventually destroy private investment.

HAROLD G. MOULTON,
President,
The Brookings Institution.

From an address before the National Retail Hardware Association.

THE MANAGEMENT INDEX

General Management

Practices Regarding Corporation Directors

WHILE there has been much discussion of the duties, qualifications and remuneration of corporate directors, there has until now been little quantitative data on which conclusions could be based. In order to provide a factual basis for further consideration of the problems arising from the American system of corporate directorships, the National Industrial Conference Board recently undertook a comprehensive survey of current practices regarding directors. The prevailing practices, according to an analysis of confidential information furnished by 357 manufacturing and 148 non-manufacturing companies, are as follows:

1. Most companies with assets of less than \$50,000,000 had fewer than 10 directors, while the representative board of the large companies consisted of from 10 to 14 members. Annual election of directors is the usual practice.

2. The typical director is a man of about 56 years of age who has served

about nine years. There is almost an even chance that he is an officer of the company. If an outside director, he is probably a banker or financier.

3. The principal reasons given for the inclusion of directors on corporate boards are: (1) knowledge of technical details of the business; (2) an important stockholder or a representative of one; and (3) sound executive judgment.

4. As a rough measure of the extent to which corporate board members fulfill their duties, attendance figures show that 64 per cent of the directors of manufacturing companies were present at four out of five meetings or better in 1938, while in the case of non-manufacturing concerns 55 per cent attended four or more out of five meetings. The average number of meetings for manufacturing companies was about eight, while for non-manufacturing companies the average was 11.

5. Only 7.3 per cent of the directors included in this survey received \$1000 or more in 1938 for their services as

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board members. The average director received \$285 during the course of the year, and the usual fee for attendance was \$20 per meeting. However, 63.1 per cent of the 501 companies giving information on fees give no special compensation to employee directors.

6. Shareholdings of individual directors are relatively small, and the financial stake of the average board, even as a unit, is not large. For manufacturing concerns, the average holding of a director is less than 1 per cent of the outstanding capital stock, while the board as a unit holds around 25 per cent of the aggregate voting stock. For non-manufacturing concerns, individual directors usually hold less than 1 per cent of the capital stock, but board holdings are generally less than 5 per cent.

7. With regard to the question of

public representation on corporate boards, only 12.9 per cent of those answering approved the idea. However, 36.4 per cent agreed that it would be desirable in the case of public utilities.

8. Indemnification of directors in the event of suit was favored by 75 per cent of the companies replying. Such a provision, however, would not cover cases that might arise from negligence on the part of board members.

9. Of the companies expressing an opinion on the advisability of leaving the selection of auditors in the hands of the board, 73.5 per cent agreed that this should constitute one of the duties of the directorate. Less than 3 per cent would permit management to select the accounting firm.

Studies in Administrative Control
No. 2, National Industrial Conference Board, Inc., September, 1939. 28 pp.

Plan for the Postwar Depression

NOW that Europe is fighting, a unique opportunity confronts the managements of many corporations which are not dominant in their fields in the sense of having a large proportion of the plant capacity of their industries. It is safe to predict that ninety-nine out of a hundred of them will either fail to recognize this opportunity or neglect to do anything about it if they do see it.

That is sad, because both the situation and the procedure to deal with it are blueprinted. Regardless of neutrality acts, the United States is sure to be

a reservoir of foodstuffs, raw materials, and munitions for some or all of the belligerents. In a war, demand outruns supply, and so sellers' markets are inevitable. *And in a sellers' market, the supplier can pick and choose among customers.*

But sellers' markets do not go on forever. When peace returns, a panic is not long in coming. This primary postwar depression, though sharp, is comparatively short. It is followed by a period of postwar prosperity which lasts as long as a decade or two. This era of prosperity carries the seeds of

its own destruction, perhaps because the primary postwar depression is mainly a collapse of inflated prices. Then comes the secondary postwar depression, which is generally longer and more serious than the first, particularly when political powers are used destructively. The 1929-1932 world-wide depression, which was artificially prolonged to 1939 in the United States, was a secondary postwar depression, as were the panics of 1837 and 1893. Briefly, that is the blueprint.

The war boom is either upon us or not far distant. The immediate and intermediate term sales problem of most managements is going to be deliveries rather than orders; and so the more intelligent and farsighted managements will be free to plan their strategy in the coming depression or panic and the false postwar prosperity that will intervene between it and the big secondary postwar depression which may not come until the 1950's.

The details for each company are different, but the basic principles of procedure are identical. They require *now*, when profits are going to be easy to get and when taxes on them are almost certain to be increased heavily, that some war profits be spent to determine certain facts and to cement certain relationships. Income and profit taxes will permit managements to buy these facts and to cement these relationships at a big discount now and during the war.

The facts needed are these: (1) analysis of the markets available from 1913 to the end of hostilities for the

industry; (2) analysis of the participation of the company in these markets for the same period; (3) analysis of transactions with individual customers properly classified for the same period; (4) analysis of long-range market factors, which include such things as changes in population distributions, distribution of purchasing power, incidence of taxation and other legislation, introduction of new products, and changes of price levels; (5) analysis of the effect of changing cost factors on sales and earnings; (6) development of forecasting series which indicate turning points and which do not exclude any determinable factor of significance; (7) analysis of the effect of company policies upon transactions with individual customers; (8) development of modified forecasting series which apply to the individual company within its industry.

These facts tell the story of where and how and why profits were made and losses were taken throughout two wars, two depressions, and a period of postwar prosperity; and they tell it in detail so that mistakes can be recognized and avoided and wise measures identified and applied where they fit.

When the facts are at hand, some steps must be taken to put them to work. Among the applications are: (1) the gradual revision of sales policies to orient the sales volume into those markets which on the basis of experience and all available current indications are most likely to be able to continue to absorb the tonnage after war ends and bankrupt stocks are out of the way; (2) the abandonment to

competitors of customers and prospects who represent future liabilities, no matter how attractive their immediate orders may be; (3) while the war prosperity continues, use of the data to control forward inventory commitments as well as the cash, inventories, receivables and other quick assets and

the bank loans and other payables that make up the current liabilities.

These are not counsels of perfection. They are cold calculations of ways of avoiding the effects of the coming postwar depression. By W. M. Fox. *Printers' Ink*, September 29, 1939, p. 11:5.

What Is the National Wealth?

FROM a peak of nearly \$353 billion in 1929, the national wealth of the United States fell to \$287 billion in 1934, and rose again to \$308 billion in 1936. Preliminary figures for 1937 are \$322 billion, about the level of national wealth in 1927.

Per capita wealth, which has been recovering slowly since 1934, is estimated at \$2490 in 1937, compared with \$2792 in 1922 and with the peak of \$2910 that was reached in 1929.

In 1936, the last year for which complete data are available, the largest single item of wealth was real property and improvements, accounting for 54.4 per cent of the total. Of the remaining wealth, approximately one-half represented productive equipment of enterprises, including public utilities, and one-half represented goods in the hands of consumers, producers and dealers, together with specie and bullion.

All divisions of the states except the West North Central are found to have increased in wealth from 1922 to 1929; all suffered declines from 1929 to 1934; and all shared in the recovery from 1934 to 1936. In the latter year the total wealth distributed among the states was somewhat less than in 1922, and only the New England and Middle Atlantic divisions exceeded their 1922 totals.

There were many notable changes in per capita wealth between 1922 and 1936. The Middle Atlantic division, which ranked fourth at the beginning of the period after the Pacific Coast, Mountain and West North Central divisions, had the highest per capita wealth in 1936.

—The Conference Board Economic Record 10/5/39

Impetus to Ergs

THE Continental Coffee Co., of Chicago, may be added to the growing list of American concerns that serve tea or coffee to their employees to eliminate the "4 o'clock lag."

Every day at the "let-down hour" a young and smiling lady appears pushing a specially designed stainless steel cart. On it are coffee- and tea-makers in crystal; also cups and saucers, sugar and cream, and a plate piled high with cookies. In warm weather the cups become tall glasses with ice cubes in them.

Salesmen, jobhunters, anyone who happens in, as well as the company's 100 office workers, are given tea or coffee, hot or cold, as they may choose. Workers are urged to relax for 10 minutes, sip their drinks, and then get back to their jobs. Walter Belinky, vice-president who thought it up and sold the idea to the chief executives, says it gives high impetus to ergs.*

—Sales Management 9/1/39

* ERG—a cross-word puzzle word meaning unit of work.

Public Opposes Compulsory Unionization

AN increase in public sentiment against the arbitrary forcing of workers to join unions is shown in the results of a nationwide survey by the National Association of Manufacturers.

The association, in commenting on the poll, stressed that it did not "represent public opposition to unions or the right of workers to organize, but does show public emphasis on voluntary membership rather than the tactics used to make membership compulsory."

The question propounded on compulsory unionization was: "Should every worker be forced to join a union?" These were the results as compared with responses to the same question two years ago:

	1937	1939
No	57%	61%
Yes	23%	20%
Sometimes	9%	11%
Don't Know	11%	8%

Interesting is the fact that a breakdown of the replies reveals that there has been a decided swing in the factory workers' opinion. It has been in the factory that the greatest high-

pressure efforts at unionization have been made.

Here is the way the factory workers answered the question of whether every worker should be forced to join the union:

	1937	1939
No	40.7%	50.7%
Yes	42.9%	28.4%
Sometimes	9.3%	14.2%
Don't Know	7.1%	6.7%

Another question included in this survey was: "Who has done most for the United States in the last 10 years?" The replies to this question reveal some significant changes in public attitude. The custodians of the private enterprise system—the manufacturers, industrialists, merchants and bankers—gathered 59 per cent of the entire vote, six times as many votes as the labor leader, over eight times as many as politicians, and ten times as many as social reformers. When the results are compared with a similar survey in 1937, manufacturers have stayed in first place and have increased their lead slightly, politicians have dropped from second to sixth, and bankers have come from last to fourth place. *The Iron Age*, August 3, 1939, p. 68:l.

Back to Methuselah

STATISTICS compiled by the Metropolitan Life Insurance Company show that the average length of life of American wage earners and their dependents is increasing more rapidly than that of the general population.

The company reported that the average length of life of the wage earner rose in 1938 to the record level of 61.94 years, while in 1937 it was 60.71 years, or only nine months less than that of the general population. In the years 1911-12, the wage earner's average length of life was 6.41 years less than that of the population at large.

—*The New York Times* 7/16/39

Office Management

Lie Detectors for Employees

DEPARTMENT stores in San Francisco and Los Angeles, with theft losses running into some 3 per cent of gross sales totals, have begun to look with favor on a new idea. The idea is to apply lie-detector tests to employees and weed out the dishonest ones, who in the past have been found to be responsible for from 40 to 70 per cent of store thefts.

Opened for business last week in Berkeley, Calif., Deception Tests Service Co. also has an appeal for many bankers, manufacturers, and insurance executives who think that more progress might be made in pre-employment tests and periodic checkups of employees as a means of reducing thefts and fraud. Labor unions look upon the suggestion with some misgivings, although some labor spokesmen admit that if results worked out perfectly the honest employee would be freed from suspicion. Recently the employees of an Oakland chemical plant, in the face of recurrent locker-room thefts, themselves demanded a lie-detector test.

In 1921, John A. Larsen, working his way through college as a "cop," interested August Vollmer, chief of the Berkeley police department, in the possibilities of developing a psychological and mechanical technique for lie-detecting. Later they were joined by A. H. Bledsoe of the University of California department of psychology,

and by Leonard Keeler, now practicing the lie-detector method in Chicago.

During the last few years, experiments have been extended to include application to business. Bledsoe, particularly, explored the commercial field, largely in response to specific demands for lie-detector service in business cases. As a result of that experimentation, Deception Tests Service Co. was started last week.

The company will use the familiar lie-detector method in which the subject is asked a series of questions (prepared on the basis of long experience with applications of the instrument to criminal cases). Reactions of the subject to the questions, as shown by blood pressure and respiratory changes, are registered by the instrument on a chart. This record, together with the operator's observations during the test, determines conclusions. In business cases, it is claimed that 80 per cent of the subjects indicated as guilty by the tests confess voluntarily; in police cases only 62 per cent admit guilt.

Routine functions of the Deception Tests Service Co. will be to conduct:

- (1) pre-employment examinations to weed out undesirable applicants;
- (2) periodic checkup of all employees;
- (3) periodic tests in departments showing persistent inventory losses (like perfumery and jewelry counters) in

department stores; and (4) examination of suspects in specific cases of theft.

Insurance and surety bonding companies on the Coast are showing considerable interest. Pre-bonding tests are said to have been so successful in uncovering criminal records or tendencies that surety firms are reported to be offering 10 to 15 per cent reduction in rates to "lie-detected" applicants. The technique has been applied for Coast insurance companies with considerable success, especially in revealing faked accidents, arson, and fraudulent claims. In some cases, claims are dropped on mere mention of a lie-detector test.

Some concerns are debating installation of their own lie-detector equipment. The experts frown on this, however, declaring that successful tests are a combination of a trained operator's experience and the performance of the instrument.

Stimulating the "lie-detector-in-every-office" movement is the Howard Lee Company, of Berkeley, which manufactures an instrument selling from \$375 up. Deception Tests Service Co. will use detectors supplied by the only other manufacturer, Western Electro-Mechanics, Inc., of Oakland, at prices beginning at \$675. *Business Week*, September 16, 1939, p. 36:2.

Behind the Scene at Midnight

LARGEST single item in the operating cost of office buildings is cleaning. It represents nearly one-third of the total operating expenditures of the industry and, of this amount, more than 90 per cent is allocated to wages, according to figures compiled by the National Association of Building Owners and Managers.

Figuring the cost at 16.5 cents a square foot, it is believed that the cost of cleaning totals \$66,000,000 a year. About 80,000 persons—two-thirds of them women—are required for this one phase of building operation.

Charwomen, with an average working night of six hours, are expected to clean from 1000 to 1200 square feet an hour. Although cleaning is usually done in the earlier hours of the night, with work ending at 11:30 or midnight, it is not unusual to delay until the latter half of the night to suit tenants or because of peculiar local conditions.

—*Nation's Business* 9/39

Are YOU Havin' Any Fun?

A RECREATIONAL survey, made under Northwestern University guidance, shows a distinct social and industrial relations advantage to businesses which assist their workers in making creative use of their increased leisure time.

The survey reveals that 47 per cent of the 2200 industries studied have adopted some kind of recreation for employees, bowling and softball being the most popular, with golf and ping-pong coming next.

Among the concerns with comprehensive recreation programs are Owens-Illinois, Chrysler, Carnegie-Illinois, Kraft-Phenix, Western Electric, Illinois Bell Telephone and Edison G. E. Appliance Company. Outstanding union recreational programs include those of the International Ladies Garment Workers and Amalgamated Clothing Workers.

—*Employee Relations Notes and Quotes* 9/39

When Should Typewriters Be Traded Out?

AN inquiry directed to controllers of a number of companies using 100 or more typewriters in their offices indicates a wide divergence of practice so far as replacing typewriters is concerned. The majority of companies queried follow the plan of waiting until a typewriter begins to show signs of old age and requires a disproportionate amount of upkeep before exchanging it for a new machine.

Ralston Purina Company, of St. Louis, using about 400 typewriters in its offices, reports that it used to follow the plan of trading all machines out every three years, on the theory that such a policy insured a high standard of typewriting throughout the organization. About a year and a half ago, Ralston adopted the five-year plan, under which a new typewriter is used in the stenographic department for two years and is then switched over to operators who use their typewriters only occasionally. It is used on light duty for three more years, and then, having completed a five-year term of

duty, is traded for a new machine. "While our five-year plan has not been in operation long enough to give us a great deal of experience with it," the management reports, "we feel from our experience thus far that it has been an economical change in policy."

One group of controllers report that they maintain careful records on each typewriter and that these records are used as a basis for deciding when it is profitable to trade machines out. Other controllers question the wisdom of keeping typewriters beyond the third year. It is the contention of the Campbell Soup Company, of Camden, N. J., for instance, that the three-year trade-out plan eliminates the need for a service man, that you get far more production from typists operating new and up-to-date machines, and that by trading all machines out every three years, the company gets the advantage of a highly favorable allowance plus a uniform quality of typing throughout the organization. *American Business*, September, 1939, p. 28:1.

Compensation of Employees During Illness

A QUESTIONNAIRE survey to discover the extent to which companies have established definite policies regarding the compensation of salaried employees during illness, and the manner in which those policies are administered, was recently com-

pleted by the National Office Management Association.

A total of 67 companies responded, and 52 reported having a definite policy in effect. The group covered by the survey included manufacturers, retail stores, public utility companies,

banks, office equipment manufacturers, insurance companies, and manufacturing and retail food companies. The manufacturers are the only group in which a fixed policy is not generally in effect.

Twelve companies reported that they issue instruction manuals to their employees, in some cases covering this subject only, and in others covering company policies in general.

Thirty companies, about 50 per cent of those reporting, require a doctor's certificate—some, immediately upon the report that the employee is out sick; others, when absence is continued or the illness is of a contagious nature.

In a few of the companies, forms are provided for approval of the employee's absence by the department head. A number of the companies reporting require that the employee, or a relative or friend, call the office each day to report his condition, but the nature of the illness has some bearing on this requirement.

On the question, "Does the same policy apply in the case of absences due to sickness of members of the family?", the answer, in practically all cases (whether the company had a defi-

nite accident-sickness policy or not), was that no benefits are paid. A few concerns stated that their plans would still be effective, even though absence was not occasioned by the illness of the employee himself.

Fourteen companies reported group insurance plans in effect. Six companies follow the policy of making up the difference between the amount received by the employee under the group insurance plan and his regular salary. Four others allow the employee to keep the group insurance benefit received, and pay his full salary, the thought being that the money received under the group insurance plan is used to defray expenses. The length of payment by both of these groups varies from one week to six months, depending on individual company policy. Four other companies reported that no salary is paid when group insurance is received.

Recent legislation has apparently had its effect on payments to employees when absent because of sickness. Three or four of the companies reporting stated that, since enactment of the wages and hours law, they were not being as lenient as they had been heretofore. BY P. J. KREMER. *NOMA Forum*, October, 1939, p. 9:2.

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held at the Hotel Pennsylvania, New York City, on Wednesday and Thursday, October 25-26.

Song of a Successful Secretary

I DON'T have to say that my grandmother died
If I want to turn out for the Giants;
My boss won't grumble, my boss won't chide,
I've got it down to a science!
I don't have to faint, or resort to tears,
Or use any feminine wiles—
They *can't* fire me—for the past two years
I've been keeping the office files.

Yes, I have a system that's all my own,
And it can't be explained and it can't be shown.
I file by number, I file by letter,
I file by ways that are ten times better.
I file by subject, I file by date,
I file by city, I file by state.
I shun the trite, and I scorn conventions,
My filing system has four dimensions.
I regard "In re" at the top of a letter
As something to make it balance better;
I pay no attention to underlining
And seldom get down to the person signing.
I've got the names of the firm's officials
Neatly arranged by their middle initials;
Customers' letters I've filed instead
By the color and size of their letterhead.

I'm the indispensable employee,
They can't take a step without me;
And it costs them a raise and half-day free
Every time they attempt to flout me.
So they *can't* fire me, no matter how cross,
No matter how mean and riling!
I'm Garbo herself—I'm the boss' boss,
For I take care of the filing.

—ELIZABETH ANN CHRISTMAN

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Cutting the Cost of Medical Service

WHEN the costs of medical service are pooled among a group of companies, the benefits of an adequate health program can be made available near or at the place of work at a price that is not prohibitive. Large industrial organizations can provide good medical service at annual per capita costs ranging from \$5 to \$10. Smaller plants may find that their costs for similar programs will average \$10 to \$15 per employee on the group service principle, but even the latter cost should not be a deterrent. One company spends \$27 on each pre-employment physical examination, and the management feels that this thorough examination is "good business." Dr. Glenn S. Everts has demonstrated that a plant of 100 employees could provide a so-called minimal medical service consisting of a one-hour-a-week visit by a physician and nurse for an annual per capita cost of approximately \$10, but that the time devoted by the physician to such a minimal program was inadequate.

—DR. M. N. NEWQUIST in *Industrial Medicine* 9/39

Production Management

Vision and Eye Protection

EMPLOYERS and employees of American industry are losing \$50,000,000 annually as a result of preventable eye injuries, and the blind population of the country is being needlessly increased each year as a result of accidental injuries to the eyes. The loss to industry and its workers in New York State from this cause is in the neighborhood of \$5,000,000 a year, of which approximately \$1,000,000 represents compensation paid to workers for eye injuries and \$4,000,000 represents indirect loss to industry and loss in the workers' earning capacity.

A nationwide survey made by the National Society for the Prevention of Blindness a decade ago showed that about 200,000 eye accidents were occurring in industry yearly, and that except for fatal accidents they surpassed all others in seriousness and expense. Nearly all the eye accidents reported are of a mechanical nature, and the number indicates that existing hazards to the eye are frequently not realized by shop managers.

Great progress has been made in the past 15 years in the elimination of accident and disease hazards affecting the eyes through ventilation, exhaust systems, and air conditioning. Greater use of exhaust systems to draw off poisonous gases and dangerous dusts has saved thousands of workmen from daily exposure to working conditions

which eventually, and often suddenly, result in seriously impaired vision, if not total blindness. Improvements in industrial lighting have increased the efficiency of employees and conserved their sight. More attention is now being paid to the discovery and correction of defective vision among employees. An increasing number of plants have pre-employment and follow-up eye examinations, and the quality of these examinations has greatly improved.

Safety education has convinced workers and management of the importance of protective goggles. The Pullman Company, where almost every trade and craft is represented, has a record of 100 per cent eye protection—even visitors are required to wear goggles all the time they are in the plant.

The American Standard Safety Code for the Protection of Heads, Eyes and Respiratory Organs lists the operations and processes for which protection is considered necessary in nine groups according to the type of protection needed. Among the hazards mentioned are: flying particles, splashing metal or chemicals, abrasive blasting, and injurious radiant energy.

The growing use of poisonous chemicals in industry presents one of the most serious hazards to workers' eyes. The danger is heightened by the fact that thousands of men and women who work with these poisons are not aware

of the fact and thus take no steps to guard against the harmful effects of the poisons. This is because so many poisonous chemical mixtures are trade secrets known only to the workers by symbols, as Solution B3, the precise composition of the solution being known to perhaps but one or two persons in the plant.

If an industrial eye protection program is not in effect, an intensive survey of the plant should be made to ascertain the existing situation and to determine how such a program is to be

maintained. The survey should point out: the type of goggle best suited for general use; types of goggles required for special jobs, such as welding, acid-handling, dusty occupations, etc.; the number of prescription goggles needed—for employees already wearing corrective glasses; and the estimated cost of the entire plan, together with a tentative budget. BY M. G. LLOYD, LOUIS RESNICK AND HARRY GUILBERT. *Publication 299*, National Society for the Prevention of Blindness, Inc., New York, 1939. 24 pages. 15 cents.

Maintenance on a Competitive Basis

THERE is no logical reason why the competitive system should not be extended to the industrial maintenance department. In the past it was thought that there was an enormous amount of detail involved in setting up standards of performance for maintenance because of the non-repetitive type of operations involved; and the lengthy duration before completion of some maintenance orders discouraged the application of these standards. Both of these ideas are easily disproved.

Maintenance labor is made up of several classes of work, such as millwrighting, pipefitting, tinsmithing, welding, carpentry, electrical work, machining and machine repairing. Each taken separately and studied will indicate a constant repetitive type of operations which can be time-studied and simplified. Labor standards of performance can be established which

will provide an accurate means of estimating labor required on all types of maintenance orders.

To shorten the period of time for completion of maintenance orders, it has been found practical to subdivide the orders into detailed functions and to describe these with suffix letters of the alphabet and numerals, the letter indicating the function and the numeral a specific operation.

To illustrate this further, the first electrical item in the installation of equipment might be the installation of a $\frac{1}{4}$ -hp. motor. This would be described by using the maintenance order number, followed by an "E" representing the electrical work, and a "1" to indicate the first item in this class of work. In a like manner, subsequent electrical work would be described with the suffixes "E2," "E3," etc. In this manner it is possible to eliminate

much of the "work in process" and definitely locate deviations from standard performances. It has also been found advantageous to write individual orders for each of the functions on the maintenance order.

The orders given to the maintenance department operators should indicate the standard performance time for the work they are to perform. This will eliminate misunderstandings due to the misinterpretation of an order as well as indicate to the operator what is ex-

pected of him. The time standards set up are based on normal output plus personal and fatigue allowances, and for performance above normal the regular hourly rate is applied to the time saved. This provides a personal incentive for the operator and places him in a comparable position with the contractor whose earnings are commensurate with the efficiency obtained from his employees. BY E. J. KAGEMANN, *Factory Management and Maintenance*, September, 1939, p. 76:2.

Productivity in the Cotton-Garment Industry

DURING the four years covered by a recent survey of the Bureau of Labor Statistics, and probably during the 20 years since the World War, there have been no significant changes in machines used in making cotton garments. Whatever improvements were made in the special sewing-machines affected only a few minor operations and had no perceptible influence on the man-hour output of sewing departments and of factories as a whole. On the other hand, improvements in transmission machinery have resulted in an increase of labor productivity in excess of 10 per cent.

The outstanding technological change in the industry has been the installation of the straight-line system in a number of plants in both the North and South, with a resultant increase in labor productivity, accompanied by increases of about 10 per cent in weekly earnings. This system is a recent development, but its successful application in the manufacture of shirts, work clothing, semi-dress pants, and other products indicates its effectiveness as a labor-saving device. It is gaining wide acceptance in the industry, especially in the field of standardized products, although the United Garment Workers Union has opposed the introduction of the straight-line system in the plants under its jurisdiction.

—Bureau of Labor Statistics Bulletin No. 662

Age No Bar at Monsanto

BELIEF that employers discriminate against workers over 40 persists in the public mind. Monsanto Chemical Company, St. Louis, got curious about ages represented by its own payroll, decided to look into employment records of its 10 plants. Upshot is showing that 34 per cent of all male employees are more than 40 years old.

When sales recession developed in September, 1937, company laid off 72 men over 40, 8.6 per cent of the total number furloughed. From June, 1938, to March, 1939, when business picked up, company hired 93 older workers. Latest report is that Monsanto has recently added 30 per cent more older men than were laid off in the slack period beginning late in 1937.

—Nation's Business 9/39

A Clean Factory Pays

ANY program to promote good housekeeping, to be successful, must fix the responsibility for each work area. In the plant of the Canadian National Carbon Co., Ltd., of Toronto, this responsibility rests on the foreman.

The first step of this company's housekeeping plan was to divide the plant into areas according to supervision. In the main factory buildings there is a column every 20 feet. It was therefore convenient to consider the area bounded by four of these columns, or 400 square feet, as a work area. For the convenience of the inspector, an inspection form was prepared for each floor of the plant. Each square is marked with a letter indicating the department and the foreman responsible for it.

Rating values have been set up as follows:

Excellent	10
Very Good	8
Good	6
Fair	3
Poor	1
Very Bad	0

When an inspection is made, the inspector is supplied with a set of these forms, and as he goes through the plant he rates each work area and marks the value in the space provided on the form for that area. The inspector's rating is final. It represents his opinion at the time of the inspection, and must be accepted. He is not required to indicate on the form his reason for his judgment of any area.

The space provided for remarks is used to record any unusual conditions prevailing at the time of inspection, or any suggestion he may have to improve conditions in the whole area concerned.

Inspections are made every two weeks, during working hours. Inspectors are chosen in rotation from department foremen and assistant foremen. They are allowed to make the inspection at their own convenience at any time during a period of one week. When an inspection is completed, the forms are forwarded to the Industrial Service Department, where the scores are totaled and departmental ratings determined. Maximum possible scores have been established for each department, and the department rating is expressed as a percentage of the total possible score.

The department ratings are then posted on a large bulletin board centrally located in the plant, and a copy of the form showing the ratings is sent to each department head. The forms are then posted on bulletin boards in the areas they represent, where each workman can see not only the department rating, but also the marks allotted to the area in which he works, as compared with the marks allotted to other areas in his department.

This plan of competitive housekeeping places the responsibility for housekeeping not only upon the foreman but upon the individual employees. It solves the problem of finding a satisfactory basis for comparison between

departments that vary greatly in size and number of employees. In this plant, it is just as easy for a large department to secure the best rating as for a small one, and actually the large departments have been at the top of the ratings more

frequently than the small ones. The plan has also simplified the task of inspections; one man can now complete an inspection in about three hours. *Manufacturing and Industrial Engineering*, August, 1939, p. 11:2.

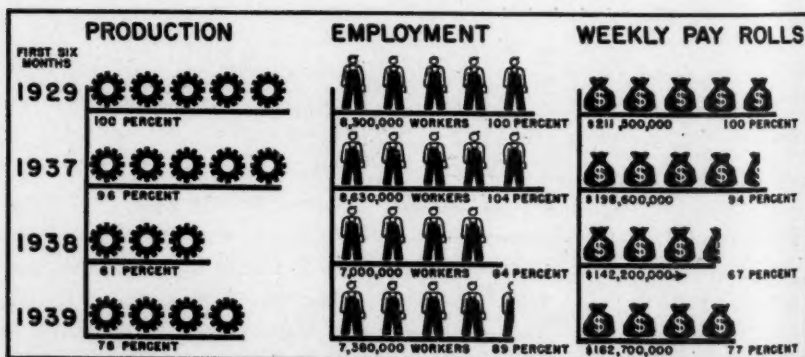
Draftsmen's Efficiency Up

LAST summer, Detroit Edison checked the output of its draftsmen and found they were getting out 8988 "work units" in 5008 man-hours. Meanwhile, the draftsmen moved into a new windowless building, completely air-conditioned and illuminated electrically with 50 foot-candles at the drafting table top. This summer, thanks to the conditioning and lighting, the draftsmen required only 3872 man-hours to do 10,474 work units—a 51.4 per cent increase in efficiency. No longer does work become smudged by hot sticky fingers; no longer do the tired eyes of tired men bring about time-consuming errors.

—*Business Week* 9/16/39

Production, Employment and Payrolls in 1939

OUTPUT of manufacturing industries in the first half of 1939 averaged about 28 per cent higher than in the similar period of 1938. It was 18 per cent lower than in the first half of 1937 and 22 per cent lower than in the corresponding period of 1929. Employment and payrolls also advanced in 1939 but remained lower than in 1937 or 1929. For every 1000 factory workers employed on the average during the first six months of 1929, 890 were employed this year, as compared with 843 in the first half of last year and 1039 in the first six months of 1937. For every \$1000 paid out in factory wages in 1929, \$769 was paid out in the first six months of 1939, \$673 in the corresponding period a year ago, and \$939 in the first half of 1937.



—*Labor Information Bulletin* 9/39

Personnel

Executive Training

IN a recent survey of 281 companies on the subject of executive training programs, 58 companies reported conducting 65 formal training programs by which 26,605 men were trained during a 16-year period, 1922-37. One hundred eleven companies described loosely organized training arrangements, and 110 companies reported lack of a formal training method.

Company size has proved to be a primary factor in consideration of formal training for management positions. Only organizations with substantial executive personnel, great resources, and assurances of permanence seem willing to undertake definite procedures for administrative training. Companies with fewer than 1000 employees and \$5,000,000 in assets seldom recognize a need for, or can afford, thoroughgoing executive training programs. Nevertheless, enthusiasm for such training is widespread; in fact, 27 of the 39 fields of industry covered in the classifications of the survey reported executive training courses.

Proponents of the idea claim that a formal management training program: (1) brings management into continuous contact with a carefully selected junior personnel; (2) enables management to improve the accuracy of its selections for permanent junior executive assignments; and (3) prepares men of education and promise for leadership posts

while they are still young, vigorous and enthusiastic—when they are best equipped physically and emotionally to assume exacting work schedules and the heavy responsibility of executive posts.

Chief among the objections to management training is that it becomes a rather artificial and elaborate way to accomplish something which will come about naturally; superior men will create their roads up through the ranks. It is also claimed that an executive training program curtails freedom of action in making promotions and dismissals.

It is said, too, that if most of those trained and retained are not absorbed into desirable control work within a reasonable length of time, broken commitments result, disrupting the morale of the training group. And a huge faction of industrial life regards executive training as undemocratic.

Many companies have sought by compromise to reap the benefits of various substitutes for formal executive training. Chief auxiliary training for leadership is advanced by the endowed and public educational systems. Trade and professional associations are also instrumental in equipping men with appropriate training for advancement. Sales training and the older orthodox apprentice training are now incorporating advanced features stressing management problems affecting the worker.

Casual rotation of beginners in jobs has become a splendid medium for management training. Conventions, interdepartmental conferences for staffs, etc., may also be substituted for organized executive training. Another substitute, one of the oldest and most defensible, is the practice of using regularly a selected company department as a starting center for gifted personnel.

An outline of a composite program has been drawn from data collected in this survey. Four phases of action characterize the building of a typical program: (1) inviting general interest and attracting likely candidates; (2) selecting and recruiting men for instruction; (3) fitting trainees into the program itself; and (4) providing for permanent junior executive assignments. The ingredients of a composite program include: rotation of employees at intervals from one type of job to another; a substantial number of scheduled or specially assigned written reports on problems of the industry, including minute aspects of internal company policy; a series of written or oral examinations recapitulating what the trainee has learned; a minimum amount of classroom drill and instruction in conjunction with job assignments; formal or informal lectures by

the supervisor of training or by the principal officer and his associates; and a prescribed and liberal dose of mechanical and manual activity.

Characteristics commonly desired in the trainee are a fine personality and a good, though not exceptional, scholarship record. If the latter is accompanied by reports of participation in extra-curricular college activities, and/or outside work of the self-supporting variety, its value increases. Most training directors want young men between the ages of 22 and 26, but in certain instances recruits between the ages of 18 and 35 are selected. A good middle-class family background is customarily a prerequisite for job consideration, although the particular purposes of a few companies are best served by specifying that candidates have wealthy antecedents or a farm heritage.

Frequently, organizations will consider their own rank and file for possible executive training, but few old line employees qualify. And while it is rare to recruit men without college experience for strictly executive training, high school graduates are occasionally accepted. BY GLEN C. TURNER. *The Society for the Advancement of Management Journal*, July, 1939, p. 87:8.

Frequency of Paydays

THAT the majority of workers in American industry receive their pay weekly is indicated by a survey made by the Bureau of Labor Statistics. Of the total workers covered, over 66 per cent were paid once a week, nearly 24 per cent every half month, and about 8 per cent every two weeks; the remainder were paid on some other basis. To some extent the frequency of paydays shown could be attributed to state legislation on this point. Thus, in New England, where with few exceptions employers are required to pay by the week, 98.2 per cent of the employees covered by the survey received their pay on this basis.

—*Monthly Labor Review* 8/39

Labor Problems of Branch-Plant Management

ESENTIALLY, labor problems are the same in branch plants as in self-contained, single-plant industries. However, there are distinctions of detail, line-and-staff relationships, limitation of powers of decision, and conformance with other company procedures.

A branch plant usually has certain decisions made for it, which an independent plant management would make for itself. Certain of these may be passed over rather quickly, as they have little bearing on the daily problems of human relationship. In this class may be grouped decisions as to the total number of men to be employed, the classes of workers, the numbers in each class, and certain specific positions in the branch organization.

Beyond this group of decisions, which deals generally with quotas, is the more complicated field of wage levels. A parent organization, located in New England or the Middle Atlantic states, must give consideration to the prevailing wage levels in remote areas where the establishment of branches is proposed. A second factor which is frequently overlooked is the consideration of adequate compensation in some form for the better class of employees because of the limited opportunities for advancement which are found in most branches. The "dead end" is reached more rapidly in the branch employing 100 or 500 than in the parent establishment employing 5000.

Certain factors under the general heading of employment call for the utmost delegation of authority and responsibility to the branch management. In this group may be included the selection of employees. Given general standards of fitness, the investigation of individuals must be entrusted almost completely to the branch management. Subsequently, in most organizations, the branch management must be held responsible for the instruction and training of the selected employees. While the sending of an expert from headquarters, or from an older branch, to train workers on specific jobs is common practice and sometimes necessary, it still creates difficulty for the branch managers.

To carry on effectively the instruction and training of workers, the branch manager must have at his disposal the principal incentive or reward which induces workers to improve themselves through his instruction or training. He must have an almost free hand in the determinations of promotions within his subordinate jurisdiction.

No fixed recommendation is possible as to the degree of responsibility and authority which should be placed in the branch manager for the conduct of collective-bargaining relationships. The essential thing is that this responsibility and authority be definitely determined and known. Experience will show that the wise branch manager will not in any way misrepresent the degree of

his authority in his dealings with local collective-bargaining agencies. The tendency to exaggerate his importance in the eyes of such bargaining representatives invites disaster the first time an attempt to exercise authority, which he does not possess, is overruled by his headquarters. It is almost equally unwise and unethical for the branch manager to understate his authority in an effort to "pass the buck" for certain decisions to some remote executive offices.

Another problem on which a company determination must be made, for most branch establishments, is the degree to which the branch management may participate in local employer organizations. The branch organization is not a good citizen of the community in which it is located if it attempts to ride "free" on the vehicle which is being built at considerable cost by native employers in that area. Against this is the fact that a local employer organization might lead a branch man-

ager into practices and policies which are seriously different from those of the parent organization. It is a practical truth that concessions, made as part of a local interemployer program by one branch of a large organization, might have embarrassing results when they become known to employees and managers in other branches.

To make any contribution toward the solution of labor problems in general, or its own labor problems in particular, branch-plant management must be personalized; and it must be dignified and supported to the greatest extent possible by the parent organization. Its problems and its contacts are fundamentally personal. All this presupposes a local management personally competent to merit the necessary delegation of power from headquarters and personally competent to win the necessary confidence from employees. By ALEXANDER R. HERON. *Mechanical Engineering*, October, 1939, p. 722:3.

Increase in Strikes

THE marked decline in the number of strikes which characterized labor relations during the year 1938 has been reversed to some extent in 1939, according to an analysis of strike records published by the Bureau of Labor Statistics during the first seven months of 1939.

These records show a 6 per cent increase in the number of strikes over the same period of last year, and a much higher increase in the number of workers involved and in man-days idle.

The comparative record shows that during January through July, this year, there were 74 more strikes, 439,761 (101 per cent) more employees involved in strikes, and 6,624,322 (128 per cent) more man-days idle than in the same period of a year ago. The chief factor in the rise in the number of employees involved and the man-days idle was the bituminous coal strike, which involved more than 300,000 employees.

—Labor Relations Reporter 9/18/39

Adjusting Wages to Living Costs

THE announced intention of A.F.L. and C.I.O. unions to attempt to preserve the ratio between wages and prices existing before the outbreak of war in Europe and the increase which recently took place in food prices has resulted in consideration in some industries of a "sliding wage scale."

In Butte, Mont., negotiations were begun for renewal of an A.F.L. agreement with Anaconda Copper Mining Company, which contains a minimum daily wage scale with provision for automatic increases when the price of copper rises above 9 cents a pound.

In San Francisco, the announcement by Harry Bridges, president of the International Longshoremen's and Warehousemen's Union (C.I.O.), that his union could not consider entering into an agreement freezing wages for a one-year or a two-year period was countered by a management statement that the "sliding wage scale" can be considered in negotiations.

Only a small number of collective-bargaining agreements now in force provide for automatic changes in wage rates proportionate to the advance or decline of the cost-of-living index. A few agreements, mostly in non-ferrous metal mining, have geared wage rates to production or price of the product manufactured or mined.

Most of the agreements which make any provision for revision of wage rates in times of increases in the cost of living do so by providing that any sharp change in living costs or any inflation

of the nation's currency will permit reopening of wage provisions of the agreement and discussion of upward revisions in rates.

An example of this type of agreement is the following clause:

The Union reserves the right to reopen negotiations concerning the wage scales herein, should the cost of living increase due to economic conditions, inflation or other circumstances during the life of this agreement.

Although rare in this country, a few agreements gear wage increases above a specified minimum to the cost-of-living index published monthly by the Bureau of Labor Statistics, Department of Labor. An example of this type of agreement follows. This agreement fixes a basic hourly wage for a five-year period and provides for semi-annual adjustments above that basic wage on the basis of the cost-of-living index.

Provided that the above 87.5 cents is the basic scale and shall be subject to an adjustment to the cost of living and increase of purchasing power in the following manner:

The basis shall be the index of the cost of living for this city issued by the United States Bureau of Labor Statistics. Adjustment shall be made on Mar. 1 and Sept. 1 of each year during the life of this contract and shall be automatically determined in accordance with the following formula:

Multiply the effective basic scale per hour by the new index number times 1.015 and divide by the index number for Dec. 15, 1934.

In this way, the real wage existing as of December, 1934, is preserved during the life of a long-term agreement.

The agreement between the Anaconda Copper Mining Company and the Building Trades Department and the Metal Trades Department of the A.F.L., now

up for renewal, is probably the largest contract in which automatic wage increases follow a rise in the price of a commodity. This is accomplished, in the agreement, by provision for specified minimum daily wages based upon a price for electrolytic copper.

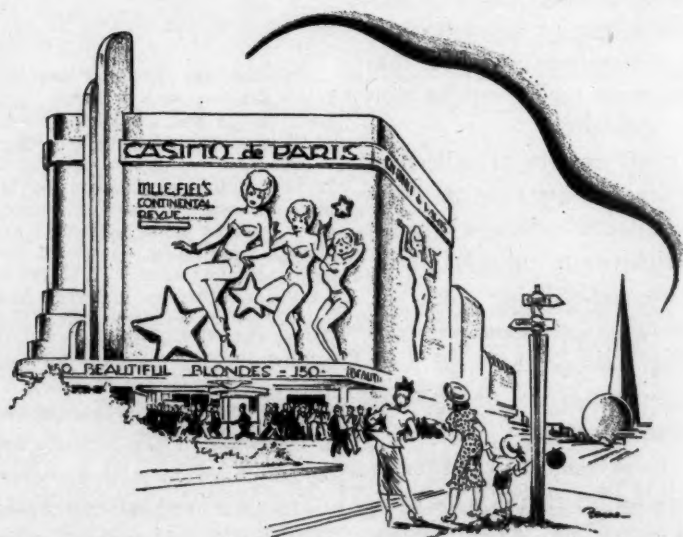
Although such a gearing of wages to commodity prices is common in the copper industry, A.F.L. officials doubt that it would be advantageous to unions

in other industries. From this it appears unlikely at this time that either A.F.L. or C.I.O. unions will demand an arbitrary wage-price ratio. Both factions, while believing it necessary to keep the pre-war wage-price ratio, feel also that it is to the unions' advantage to keep the factors which determine the wage as flexible and varied as possible. *Labor Relations Reporter*, September 18, 1939, p. 43:2.

Age and Productivity in the Automobile Industry

Automobile Facts reports that in the motor industry, where wages are largely on a piecework basis and high-speed production is the rule, earnings reach their peak in the group between 50 and 55 years of age. The average annual earnings of that age group in a 1938 period of full production were \$1680. Men over 60 showed average annual earnings of \$1595, which was approximately the figure for those 40 to 45 years of age. Workers past 40 constitute about 28 per cent of the total number employed in the industry.

—BEULAH AMIDON, *Jobs After Forty* (Public Affairs Committee)



"But I thought Clyde said the Foremen's Club was attending an exhibit of WRENCHES!"

—Supervision.

Marketing Management

Cut It Down to Six!

ITEM: With gross receipts in excess of \$6,000,000, a child's fairy tale—"Snow White and the Seven Dwarfs"

—set a new box-office record for motion picture attendance. The movie sensation of the new season is another childhood epic—"The Wizard of Oz."

Item: Grown males have reverted to childhood days in their garb for beach and sport wear, fitting out in two-piece garments having Peter Pan collars and tinted in such gorgeous shades as forest green, eggshell, wine, and robin's-egg blue. The manufacturers call them "playsuits," but any way you look at them they're rompers.

Item: The budding new dance craze is the "Boomps-a-Daisy." But such other versions of hopscotch to music as "London Bridge" and "Under the Spreading Chestnut Tree" are still going strong.

Item: Down in de meddy in a itty bitty poo . . . boop boop dittem dattem wattam Chu. Patty cake, patty cake, baker's man. A-tisket, a-tasket. Hey diddle diddle. Floy floy. Jeepers Creepers. Toodle lumma lumma, toodle lumma lumma.

* * *

Thus the adult scene in America today—and for many months past. The phonograph, the radio, the songsters at theaters and cabarets, the volunteer bathtub minstrels gurgle childish songs whose lyrics consist of meaningless

baby-talk. Male and female alike appear in public, unabashed, in the raiment of infancy.

All these current infant antics and posturings on the part of the adult public may well be symptomatic of a mass retreat to find refuge in the simple joys of childhood. However they are interpreted, they carry a deep and vital significance to those who have goods to sell to this re-adolescing public.

For many years advertisers have planned and proceeded on the thesis that the average mental age of the public is 12 years or thereabouts. Today, unless the overwhelming weight of evidence is to be disregarded, it's six. At the outside. Maybe lower.

If advertisers are to deal with a public in bibs, they must adjust their strategy accordingly. Obviously, advertising which proceeds on the basis of reason and argument or appeals to the instincts of maturity is useful in approaching only a few remaining islands of adult perception like me and the reader; and we're hardly a mass market, are we?

An examination of present-day trade names suggests the adoption of a tactic appropriate to the times. Consider, to cite only a few examples, such articles in the marts of commerce as Toesies, Kumfy-Tops, Woozie Woozies, Swankies, the Whooperdoo mattress, the

Koko-Kooler hat for men, Tummy-In panties, Pantease, Hosies, No-Tum-Suk, Puggies, Nudies, Smoothies. Also, Goo Goo lipstick, Ga-Ga-Gogs, Dy-Dee-Ho, Snuggettes, men's drawers christened Scandals, Snuggies, Oke-Doke, Quickies, Hoot Nonny Nonny sweaters, Choo Choo dresses, Koolies and Jiffy-Lax.

For most advertising, the fairy tale and nursery rime will probably be found to constitute the two patterns having the greatest potential effectiveness. Short, simple words, of course, must be used insofar as possible.

The matter of typography is also important. Not only must extra large-size types be used for text, but the sentences should be set up in appropriate fashion. Thus: "Science now gives you an a-maz-ing new de-vel-op-ment in the his-to-ry of dan-druff re-moving."

Color, of course, is important in attracting the infant-minded eye. At the same time, it is advisable to have at least some of the illustrations plain so the reader can color them. Illustrations in the form of cutouts will obviously be tremendously popular.

There are lots of unexplored possibilities in radio—bedtime stories, hours of lullaby music and such, with all commercials recited by cunning little toddlers who lisp. The sensation of the listener ratings will be the advertiser who first has the perspicacity to put on a full 15 minutes or more of shaking rattles.

Now if oozzums will dess escoose me for a teensie weensie bit, I'se dot to det back to my lollipop. BY P. H. ERBES, JR. *Printers' Ink*, September 29, 1939, p. 15:4.

Retail Credit Survey

RETAIL credit sales, particularly those on instalment plans, revealed a much more substantial percentage decrease than cash sales during 1938, according to the annual Retail Credit Survey prepared by the Bureau of Foreign and Domestic Commerce. An analysis of the decrease of 11.3 per cent in total retail sales for 1938 reflects estimated declines from 1937 of 8.6 per cent in cash sales and 16.5 per cent in all retail credit sales. However, instalment sales, which are about one-tenth of total retail sales, declined 28.5 per cent, or from an estimate of 4627 million dollars in 1937 to 3309 million dollars in 1938. Open-credit, or charge account, sales totaled 7921 million dollars in 1938, an estimated decrease of 10.3 per cent from 1937.

All credit sales, combining open credit and instalment, were estimated at 33.7 per cent of the Department's figure of 39,930 million dollars of total retail sales in 1937, and 31.7 per cent of the reduced volume of 35,425 million dollars for 1938.

The average monthly rate of collections on open-credit, or charge, accounts of 1700 reporting stores declined only 3 per cent from 1937, indicating that the typical account was outstanding for 63.4 days in 1938, or two days longer than in the previous year. Although individual cases of delinquency and repossession were undoubtedly more numerous, collections on instalment accounts of retailers also appeared to be fairly satisfactory in 1938, but there are a number of factors which complicate comparison with experience in 1937. Rough estimates indicate that there was a net decrease of possibly as much as one billion dollars in the amount of outstanding consumers' retail obligations during the 1937-1938 period of liquidation.

—Domestic Commerce 9/30/39

Men or Women Readers?

NOT only are some advertisers appealing to the wrong sex, but, as an added whiplash, are losing the very people they should be addressing.

In an attempt to isolate at least one factor which might influence "man" or "woman" observation, this writer studied a number of magazines which had been checked by L. M. Clark, Inc.

The number of ads studied, half page and over, were 307. Of these, 127 had a clear-cut example of a man or a woman as the chief illustration in the advertisement. Pictures with both a man and woman were ruled out.

In these 127 specimen ads, which used either a man or woman as the principal illustration, there was an 84 per cent correlation between the sex of the observer and the higher Clark observation rating, according to sex. That is, ads showing a man got a higher man observation; ads with a woman illustration got a higher woman rating.

In only 18 advertisements, or 14 per cent of the 127 studied, was there no apparent correlation between the higher Clark rating according to sex of the reader. And included in these 18 "no correlation" ads were three which showed an equal man and woman observation, regardless of sex of the model.

This despite the large range of products which included a wide distribution of advertisers. And, of special sig-

nificance, in 11 out of the 18 cases where there was "no correlation," the model in the ad was looking, apparently or actually, directly out of the picture at the reader.

John Caples, in his book, "Advertising Ideas," tells us that a picture of a man or woman looking directly at you is one of the best "stoppers" you can use. Readership ratings on the ads studied seem to confirm his statement. They are such good stoppers that they apparently cut across the sex of the "observer," getting both a man and woman audience, far out of proportion to "regular" pictures.

Jack M. Willem, research director of the Stack-Goble agency in Chicago, reporting on a study of the reading habits of 8000 men and women and the newspaper handling of more than 15,000 news pictures, found that 48 per cent of women will look at women's pictures, but only 29 per cent of men will look at women's pictures. On the other hand, 34 per cent of men look at men's pictures, and 31 per cent of women look at men's pictures. . . . Reversing the sex of illustrations switches the audience. When men and women are combined in one picture, the figures reveal that on observation of pictures with both a man and a woman, 36 per cent men will look, 51 per cent women will look—giving a combined average of 43 per cent, compared with a combined average of 33 per cent for pictures of men, and 38 per cent for pictures of women. (Which supports

Kenneth Goode's advice: "Why not use both and be sure!")

Whether you want a man or woman audience for your product depends, of course, on the product and objectives.

But it is highly profitable to check up and find if advertisements are attracting the sex distribution desired. By RICHARD MANVILLE. *Advertising & Selling*, September, 1939, p. 29:2.

The Discount Racket

NOBODY knows the real extent of discount buying by consumers. One indication is afforded by a study, based on personal interviews with families in the Boston area, which was published in the spring number of the *Harvard Business Review*. This study indicated that the percentage of purchases-at-a-discount on various lines may run as high as the following: on mechanical refrigerators, 20.9%; washing machines, 18.3%; vacuum cleaners, 15.8%; radios, 20.1%; tires, 32.8%; watches, 12.9%; auto heaters, 17.8%; food mixers, 49.2%; electric toasters, 27.5%; electric roasters, 71.4%; sporting goods, 25.6%; builders' supplies, 28.7%.

On the other hand, the study showed that automobiles are purchased at a discount only 1.8% of the time; coal and fuel, only 2.9%; and "services," only 0.5%.

The total loss to American retailers through privilege buying has been estimated at a billion and a half dollars a year.

Company buying for employees, and friends of employees, is the biggest single cause of retail trade diversion. Some of it, retailers tend to feel, is justifiable, as when a company helps its employees save on work clothes or other items germane to the job. But when a company uses its buying pressure to get furniture, appliances, jewelry, clothing, and hardware at a discount for employees, retailers feel that they are being subjected to unfair competition.

In the last few months nearly 150 big corporations have agreed to remove themselves from any position in which they might influence the purchasing habits of their employees. They now refuse to permit the company's name, its premises, or its facilities to be used by those who come offering semi-secret special privilege schemes. And they have stopped distributing "courtesy" cards to workers.

—*Business Week* 8/19/39

Do Premiums Attract New Users?

IN one investigation of a recent premium offer, it was found that about 10 per cent of those who received the premiums were new users. Another 5 per cent were questionable new users, and hence there is a possibility that 15 per cent may have been influenced to try the product because of the premium. Of this number, about two-thirds continued to use the product afterward. Another offer drew 32 per cent new customers, and still another drew 18 per cent new users.

A recent investigation in Toronto showed that 30 per cent of the consumers who received a current premium were either new users or non-regular users of the product; but it is emphasized that figures on store tests must not be given too broad an application, because in a small territory much depends on whether the territory is a good one for the product concerned. A nation-wide offer is probably the only way to measure accurately the effect of a premium in producing new customers.

—*Marketing* 9/2/39

Price Spreads in Distribution

THE consumer who knows little about the processes of distribution is likely to blame the retailer or the middleman for what may seem to him an exorbitant price. If he is told that it costs more to sell a certain article than it does to manufacture it, or that the retailer makes a profit of 50 cents on something for which he has to pay a dollar, he may easily conclude that he is the victim of profiteering and waste.

This is not meant to imply that retail prices, even in a highly competitive market, are never exorbitant. But, in many lines of trade, 30 or 40 per cent of the price received by the retailer is paid out for wages, salaries, rent, and other operating expenses; and since most of the remainder represents the cost of goods sold, the retailer retains as profit only a few cents out of what the consumer pays.

The spread between cost of production and selling price is particularly noticeable with food products. It costs three or four times as much to bring vegetables and fruits from the farm to the dinner table as it does to grow them.

Statistics show, for instance, that the farmer got seven-tenths of a cent per pound for cabbages in 1935, but the housewife had to pay four cents a pound at the corner grocery. She paid an average of 5.5 cents for a bunch of carrots for which the farmer received one cent, and the oranges she bought at

an average of 31.8 cents a dozen brought the grower 8.7 cents.

Meats carry much smaller margins; it costs less to distribute pork and lamb, for example, than the farmer receives for the live product. But canned fruits and vegetables are listed as having price spreads of from five to seven times the cost of the products on the farm.

Manufactured goods, generally speaking, show somewhat smaller margins than food products. On the basis of 1936 figures, a standard grade of men's shoes, costing \$2.08 to manufacture, retailed at \$4.00 per pair; while a quart of rye whiskey, that cost 30 cents to make, retailed at \$2.40 per quart (including \$1.00 in Federal tax).

In 1936 the New York City motorist paid an average price of 17.5 cents for a gallon of gasoline that cost 5.5 cents at the Gulf port where it had been refined. Taxes accounted for five cents of the retail price. Transportation to New York, and terminal and processing charges, added another cent. Of the remainder, the retailer's margin of four cents and the jobber's of two cents nearly equaled the total cost of producing the gasoline, shipping it by water from the Gulf port to New York harbor, and delivering it in tank cars to the New York jobber.

For cigarettes, figures estimated on the basis of various official reports show that in 1937 it cost an average of 3.86 cents to manufacture the standard pack of 20 cigarettes. Added to

this was a manufacturer's profit and a Federal excise tax of six cents. The pack was sold to the jobber at 11 cents, to the retailer at 12½ cents, and to the public at an average price of 14 cents.

Computed figures based on averages show that refrigerators in 1935 cost about \$58 to manufacture and were sold for \$156. About \$12 was retained by the manufacturer to cover his selling and administrative expense and profit, \$16 was the wholesalers' margin, and \$70 represented the costs and profits of the retail dealer. In other

words, the consumer paid as much to the retailer for selling the refrigerator as to the manufacturer for making it.

It is evident that a wide price spread in itself does not necessarily indicate either waste or excessive profits. The veriest tyro in the retail field soon learns that he may make no profit at all and may even lose the capital he has invested in the business, although he takes a seemingly huge "profit" on every sale he makes. The Twentieth Century Fund, New York, N. Y., August 30, 1939.

Bata Gets New Shoes

THAT the famous Bata shoe concern of Czechoslovakia has brought a new type of industrial organization to Canada is evident in the fact that Thomas Bata has taken an option on 1400 acres of land in central Ontario, where he intends to erect a five-story factory and 60 brick dwellings before the end of the year. It is the \$1,000,000 beginning of an ambitious five-year scheme that includes the construction of five separate factory units and a model community to house 1800 employees as well as their families. Bata in Canada will be an almost perfect miniature of the famous Bata-city, Zlin, where 40,000 souls depended on the sale of shoes for their existence.

Briefly, the Bata system as applied in Canada will include a five-day week with wages above the minimum and union rates. The actual salary or wage of each employee is dependent on a complicated production schedule and varies according to the output of the individual as well as his department.

The 1800 men and women who will work in the Bata plant in Frankford will live in a model community having its own stores, theatre, churches, sports-field, and even a hotel where relatives of employees may stay when visiting. It is the same advanced labor planning that Lever Brothers have experimented with so successfully in their "Port Sunlight" in England.

Life in the model community is not strictly "free." That is, promotion in the plant does not depend entirely on the skill and efficiency of the worker at his task, but is influenced to a degree on whether he makes a good citizen in the community. And a good citizen, according to Thomas Bata, is one who abstains from drinking and smoking, who uses his free time to advantage, and, most important, who spends his money wisely.

The age limit has been set at 30, and the majority of workers will be high school graduates, sons and daughters of villagers and farmers who have had no other job. They will live and work in the Bata community on an average of from 10 to 15 years and will then return to take over the family farm or the village grocery store. Some, naturally, will stick with the firm, rising to executive positions.

Most important to the success of the Bata system is whether Canadian labor will enter wholeheartedly into the spirit of the thing as the Czechs have done, or whether they will balk at the fairly inclusive supervision which the Czech system entails.

—Canadian Business 9/39

Financial Management

Compensation of Retail Executives

THE findings of this study are based on analyses of the compensation practices of 38 retail companies, whose securities were listed on the New York Stock Exchange, for the period 1928-1937. Fifteen of them operated department or specialty stores, while 23 were chain-store concerns. The methods of paying executives followed by the companies studied are: formal salaries; salaries and some form or forms of bonus payment; and straight bonus or commission payment. Three-fourths of the chain-store companies and two-thirds of the department and specialty store concerns used formal salary with bonus payments either consistently from 1928 to 1937, or at some time or other during the period. In addition, many of the companies included in their executive payment plans contracts, retirement pay or pensions, and stock-purchase plans and options.

Although bonus plans were used widely by both groups of retail companies, on the average the amounts paid to officers by the chain-store concerns differed noticeably from corresponding payments by the department and specialty store companies, being distinctly higher among the latter. For example, in 1937 the presidents of the department and specialty stores typically received \$75,000, while the average for the presidents of the chains under consideration was \$40,000. An even

larger difference is apparent when total executive compensation is considered as a percentage of earnings. These chain stores typically paid 6.2 per cent of earnings to executives in 1929, 8.6 per cent in 1937, and 7.5 per cent for the 1928-1937 period. The department and specialty store companies, on the other hand, paid 12.9 per cent of earnings to executives in 1929, 19.4 per cent in 1937, and 18.5 per cent over the 1928-1937 period.

From this study, several generalizations may be made as to desirable future methods of paying retail executives:

1. Executive methods and payments must be in the broadest sense socially acceptable, i.e., they should not be so spectacular as to create universal discussion and disapproval. Retail companies, in particular, can ill afford to have policies which do not receive stockholder and public approval.

2. Methods and payments must be revealed to and understood by both stockholders and general public. Publicity leads to a careful public scrutiny of all procedures of a corporation in relation to its executives. More rather than less attention to the subject of methods and amounts of executive payment in the annual report should prove to be sound policy.

3. Increased attention should be devoted to executive motivation and specific requirements of individuals. Of

just as much influence in attracting able individuals as the amounts paid are the power and prestige which surround executive positions. It is also important to consider taxes, security for the executive, his long-time interest in a company, and his professional rather than speculative interests.

4. Less attention may be devoted to perfecting incentive payment plans, and as a substitute executive retirement or pension plans may be adopted. The retiring of inefficient executives is an important problem for all corporations today, since under prevailing policies automatic retirement does not occur when the executive's contribution to the corporation's success has declined to the point where he should be replaced.

5. Plans adopted should be those that can readily be justified from an economic and social point of view. The primary justification for permitting executives to hold positions of great

power and paying them liberally lies in their promotion of the true economic interests of society. Executives should be so rewarded as to develop an appreciation of public responsibility and the professional rather than the speculative character of executive positions.

6. The methods used in paying executives may change radically from period to period, and there may be no permanent answer to these vexing problems except that of constant revision. Constantly changing business conditions and public thinking and their effects on executives and executive payments suggest the need for continual review. For these reasons, the disappearance of an air of permanence from all plans may be considered a virtue rather than a vice. BY JOHN CALHOUN BAKER. *Business Research Studies Number 23*, Harvard University Graduate School of Business Administration, Boston, 1939. 50 pages. \$1.50.

Is the American Economy Contracting?

THE view is widely held that the American economy has lost its momentum of expansion and reached a stage of more or less permanent stagnation. According to one interpretation, this is the result of a general world-wide decline of capitalism, while another interpretation treats it as a more local phenomenon—namely, as the inevitable result of the disappearance of the frontier.

Expansion or contraction of our economy may be defined in terms of

real national income, either total or per capita. The ratio of the real national income actually produced to the national income which could be produced, under conditions of a given state of technical and of organizational ability of the producers, is the organizational efficiency of the economy. During the period 1929-1937 the American economy was stagnant and probably slightly contracting relatively to the population. This should be compared with a rate of increase of the real na-

tional income of approximately 4 per cent a year and a rate of increase of per capita real income of 2.6 per cent a year during the period 1919-1929. The trend is largely due to the severity of the depression. Since 1933 both total real national income and per capita real income have been increasing rapidly, and it is likely that this increase will continue for the next years.

Compared with pre-war times and with the period preceding the depression, the organizational efficiency of the American economy has declined heavily, the increase of productivity of labor being largely wasted by an increased percentage of unemployment. Even in the period 1923-1929 the national income could have been 10 per cent and in 1937 it could have been 19-24 per cent higher than it was, had it not been for the wastage through unemployment. The latter figure does not take into account the effects of the stoppage of net capital formation which resulted from the depression.

Any prediction as to the future of

economic expansion in the United States can be made only on the basis of a knowledge of the causes which stopped economic expansion since 1929 and of the expectation as to whether, and in what degree, these causes are likely to persist in the future. Events since 1929 in the United States and in other countries with an advanced industrial capitalism show that private capitalism suffers from a lack of sufficient inducements to invest which prevents it from securing full employment of the existing productive resources. The argument is frequently raised that this is due to political interference which discourages private investment. In answer to this it has to be pointed out that the depression came at a time when (particularly in the United States) no appreciable amount of such interference was exercised and that at present the level of economic activity is maintained in most countries by public investment. BY OSCAR LANGE. *The American Economic Review*, September, 1939, p. 503:11.

Group Insurance Note

COMPANIES with group insurance plans should remind their employees regularly to check the names of their beneficiaries. Altered circumstances, such as marriage, death, divorce or birth, frequently require changes in the beneficiaries named in the original group certificates.

One company with a group insurance program not long ago revised its plan and called in all the old group certificates to exchange them for new ones. It was found that 10 per cent of the employees had neglected to name a new beneficiary when various circumstances made the change necessary. And, incidentally, the exchange of certificates revealed that one out of every 65 employees had lost his certificate. Insurance companies point out that it is just such neglect that occasionally causes confusion and delay in settling death claims under group insurance plans which they underwrite.

—*The Kalends of the Waverly Press* 9/39

Insurance *

Personalized Protection

THE increasing value of factory safety measures to industry and the vast additional savings that can be effected through an extension of plant accident-prevention facilities are discussed in an article by Edward R. Granniss, Director of the National Conservation Bureau's industrial engineering division. Originally published in *Industrial and Engineering Chemistry*, the article dwells particularly upon the importance of personal protection against occupational hazards.

A suggested program for the establishment of personalized protection is outlined. It provides for:

1. A thorough study, from the viewpoint of accidents and health, of all processes in the plant.
2. A check of each employee at the time of employment to determine, as far as possible, the degree of individual

susceptibility to the hazards present.

3. A continuous study of the adaptation of each worker to the hazard of the work.

Referring specifically to the chemical industry, Mr. Granniss declares: "Despite the remarkable progress being made in personal protection equipment, there will always be some lag in its design and manufacture, as this must follow developments. Protection for workers in a new process cannot generally be provided until the nature of its hazards is known. It will therefore be an advantage if employers in the chemical industry will take designers of protective devices into their confidence when new processes are in the making, so that when the work goes into production, employees may not have to wait for necessary protection." *The Weekly Underwriter*, July 22, 1939, p. 171:1.

New War Risk Policies

THE Explosion Conference announces it has filed a new policy form, rates and rules with the New York State Insurance Department, effective as of September 1. The new war risk and bombardment policy will cover loss caused by war, invasion, civil war, insurrection, rebellion, revolution, military or usurped power, bombardment (naval or military), and aerial craft (hostile and otherwise) while engaged in active warfare during war times.

A new alternative vandalism and malicious mischief endorsement, attached to riot and civil commotion policies for increased rates, will cover acts of vandalism or malicious mischief committed by agents of any government, party or faction engaged in war or warlike operations, if such agents are acting secretly and not in connection with any operations of military or naval armed forces of the United States—in addition to the perils already covered under the present vandalism and malicious mischief endorsement.

—*The Weekly Underwriter* 9/9/39

* Insurance abstracts are contributed by P. D. BETTERLEY, Insurance Consultant.

Use of Third-Party Complaint

UNDER the new rules of procedure adopted by the United States courts, the third-party practice has been authorized. A defendant may, upon motion, bring before the court a third party who may be liable, to the defendant or to the plaintiff, for all or part of the plaintiff's claim against the defendant.

A surety company against whom a suit has been brought may bring before the court such indemnitors as it may have, and in the one proceeding, if it should be held liable, may obtain a judgment against the indemnitors for the amount for which it is liable, together with the expenses incurred by the surety.

Prior to the adoption of Rule 14, a surety was not permitted, in an action against it, to bring in the indemnitors to the action. Before bringing an action, the surety had to wait until final determination of the litigation against it and the payment of the judgment.

The third-party practice will be valuable in the defense of negligence cases where it can be ascertained that the accident was caused by the acts of a third party not a party to the action; and it gives the defendant an opportunity to bring before the court other parties who may be liable to the plaintiff. *Insurance Decisions*, August, 1939, p. 41:3.

Medical Payments Endorsement

AN entirely new approach to the problem of providing insurance protection for automobile accident victims was taken by both stock and mutual companies recently, with the announcement that companies affiliated with both the National Bureau of Casualty and Surety Underwriters and the National Association of Automotive Mutual Insurance Companies would place an entirely new type of coverage upon the market.

The purpose of this coverage is to take care of all medical, surgical, hospital, nursing, funeral and burial expenses up to the limit of liability defined in the endorsement. These expenses will be paid irrespective of the liability of the owner or driver of the car for the injuries which are sustained.

—*Journal of American Insurance* 8/39

Hartford College of Insurance

THE newly established Hartford College of Insurance will begin classes this month. Applicants for admission must be at least 18 years old. For the most part, students will be graduates of approved colleges or universities. Applicants not possessing a bachelor's degree, but already employed by and recommended by insurance companies, will be admitted, although they will not be eligible for degrees.

The primary purpose of the college is to prepare eligible applicants for the profession of insurance, whether for field or office, in private or governmental employment.

—*The Eastern Underwriter* 9/1/39

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Wage Assignments and Garnishments

Question: What is the usual company action when an employee assigns his wages or when his wages are garnisheed?

Answer: Most companies are quite severe on this point. In fact, a number of concerns warn employees against wage assignments in their employee manuals; some manuals carry an absolute prohibition against the practice with a threat of dismissal, while others merely state that it is forbidden.

In the case of a large manufacturing company, the dismissal is made in the following way: When it is found that an employee's wages have been attached, the employee is notified that he will have no more than three weekly paydays in which to arrange for release of the court order. At the third payday another week of grace is granted, and if the attachment still stands against the fourth payday, the employee is discharged.

A large oil company modifies the threat of dismissal with the statement that, in the event of a wage assignment or garnishment, the company will feel it necessary to investigate the manner in which the employee is handling his personal financial affairs, and if there is evidence that he is attempting to avoid a just debt, he will be subject to dismissal.

The employee manual of a retail organization impresses upon employees the danger of wage attachments and urges the financially harassed to discuss pressing financial problems with the store manager or the personnel director.

Some companies point out to employees that state law requires deductions from their pay when legal garnishment proceedings are instituted—that the company has no choice in the matter, and that it does not relish the added bookkeeping which such attachments entail.

Employment of Married Women

Question: What, in brief, are the basic issues involved in the employment of married women? Is not this a practice that must largely be determined by individual company circumstances, local conditions, nature of the work, etc.?

Answer: The salient points of this problem are these: During the World War

a fundamental change of attitude occurred regarding the employment of married women. The scarcity of male workers necessitated the hiring of large numbers of women—and for occupations where women had never been previously employed. Further, the War, and the increasing mechanization of industrial processes which lightened many heavy tasks, served to dispel the prejudice against married women workers which had quite generally prevailed.

But with the advent of the depression there developed the concept of "work sharing," which was accompanied by frequent demands for the layoff of married women with employed husbands. The considerable amount of unemployment which has continued to exist has kept this question alive, and in many localities it is a serious and sometimes a bitter issue.

It is not an easy problem to settle. Many companies have met it simply by making no distinction at all between married or unmarried women, while others have adopted a policy of employing no married women at all and laying off women on the staff who do marry. The latter policy involves many well-known vexatious problems, and it is almost impossible not to make exceptions and modifications.

For example, here is the policy of a large manufacturing concern:

1. Married women shall not be hired unless there is evidence of real need for the job and unless a properly qualified unmarried woman cannot be found;
2. Women employees who marry shall be replaced as soon as possible following a two months' notice of release;
3. Married women who are on the staff for any reason may be replaced by unmarried women on two months' notice, and they remain in the employ of the company only on the understanding that the company may give preference to unmarried women in promotions and layoff.

One concern which has given special study to this question has for a number of years maintained a policy of employing married women if they fulfil the requirements of the job. When layoffs are necessary, the selection is made, first, on the basis of efficiency and years of service and, second, on the basis of the social obligations involved. On this latter basis, marital status is one of the factors considered, but only one; and other circumstances of the case are given due weight.

Another company, in which this question has received careful analysis, emphasizes the complexity of this factor of "social obligations." It takes into account such contingencies as loss of employment by the husband shortly after the wife is dismissed. This company also takes into consideration the social obligation to help train the oncoming younger group of workers, and has finally adopted a policy of breaking in beginners rather than allow an accumulation of married women in the force. The device used in this case is to keep the efficient married women on call for temporary work and peak loads.

With any system chosen to allow for both efficiency and the social factors involved, there would seem to be a need for general reappraisal of the situation about once in three or four years. Since exceptions multiply and conditions change, restudy of the problem is essential.

Peak Loads in the Office

Question: Have companies in general found it necessary to employ special devices to take care of peak loads in the office as a result of the wages and hours law and similar legislation?

Answer: While in recent months additional efforts have been made to devise means of handling peak office loads resulting from restricted working hours, this is by no means a new problem. Office managers have long studied methods of meeting emergencies created by peak conditions. A recent checkup by the AMA showed that many different methods and combinations of methods are used to solve this problem.

Here, for example, are some of the prevailing practices: Workers are rotated on various jobs so that they will become familiar with a number of different tasks, and during slack periods employees are trained for other work by those who regularly perform such work. Employees are encouraged and in some companies given financial assistance to take extension courses pertinent to their company work in commercial schools and colleges. Office supervisors receive instruction in training methods. Some companies urge their employees to take advantage of courses given under the auspices of office equipment manufacturers. In some instances, when emergency needs must be met, trained substitutes are hired—usually former trained employees.

Some methods other than training include: time and motion studies; centralization of office services, such as telephone, telegraph, filing, typing and clerical work; and maintenance of uniformity in mechanical equipment.

Good personnel records are also important under such conditions. Many companies maintain special records showing the skills and abilities of their employees over and above those required for their regular work, and in instances where employees are rated, additional weight is given to versatility as a desirable factor.

Good training is obviously the key to handling increased work loads, and it is during peak-load periods that training programs frequently meet a rigorous test. In many large concerns it has been found possible to maintain flying squadrons of unusually versatile employees who are capable of coping with various types of emergencies. Of course, neither special training nor specific devices can adequately meet the problems created by peak conditions if the underlying structure and system of the office organization are faulty. Naturally, therefore, it is necessary to insure through a survey of methods that the foundation is sound.

Company Cafeterias

Question: Is a company cafeteria a desirable feature among the facilities provided for employees? Should it be under company or outside management?

Answer: A company interested in this subject recently made a survey of the experience of 22 other concerns which were known to provide cafeterias, and obtained the following information:

The 22 concerns reporting stated that their cafeteria facilities were so arranged that any employee who wished could bring his lunch with him and obtain coffee, milk and other perishables from the cafeteria.

In several cases office employees used the cafeteria, and in a few instances table service for executives was provided. One company stated that it considered especially important the mingling of office and plant workers in the cafeteria.

All the companies reported that they maintained complete cooking and serving facilities on their own premises. The majority favored company control of the project rather than leasing to a concessionaire, while in two companies the cafeterias were managed by employee groups.

Company control seems to be preferred because, under company management, food can be provided at cost or less than cost. More companies reported a loss than reported a profit, although seven of the 22 reported that they broke even.

While the reports showed that cafeteria attendance varies with general business conditions, practically all the companies noted continuous growth.

Survey of Books for Executives

Does Distribution Cost Too Much?

By Paul W. Stewart and J. Frederic Dewhurst. The Twentieth Century Fund, New York, 1939. 403 pages. \$3.50.

When one reads the list of members of the committee which has been in

charge of this investigation, he marvels that any report at all was forthcoming because of the conflict of well-known viewpoints. The wonder is not that there are evidences of disagreement and of compromise restatements, but that the report is in so many respects good.

The report is in ten chapters, with a

program of action proposed, which follows as Chapter 11. The ten analytical chapters are, on the whole, better than most studies of this baffling and elusive subject. But the report falls into the quite general error of presenting too much detail and of missing the fairly simple thread on which this complex necklace is strung. The insulations between production and consumption which follow increased complexity in the social structure and, hence, in distribution cost more than all the combined merchandise distribution processes and mechanisms—and these insulations are what hold them together. Though this idea is closely approached many times, it is not fully grasped.

In the title of the study there are two concepts which really ought to have some clarification before such a discussion can get as far as it might. The first is the implied assumption that distribution costs can be segregated with finality, and the other is the implication in the term "too much." Does this mean more than is necessary? Or more than the market will bear? Or so much as to make somebody "too rich" or "too poor"? Or what? These questions are partly answered, but not fully.

The fact that many things besides processing intervene between production and consumption and account for over half the final cost is clear, but not very significant. A mutton chop f.o.b. the ribs of a sheep in Wyoming may be worth much less than the same chop c.i.f. the plate at the Ritz. And still the difference may not be "too much."

Nevertheless, this study will doubt-

less take its place as a useful discussion of a phase of modern living which needs careful analysis.

The first ten chapters contain the factual data, which have been gathered with care and judgment. However, I venture the assertion that, despite the intrinsic merits of these ten chapters, they will be read by very few people; for not many can for long fix the mind on the points they cover except as they apply to their own affairs.

With the Conclusions it is different. They have already aroused some discussion and are likely to stir up talk for some time to come.

The conclusions or recommendations fall into three groups and include a total of 19 major items: (a) consumer knowledge—8; (b) operating information and more efficient performance—7; and (c) competitive restrictions and regulations—4.

Space will not permit consideration of them all, but the eight recommendations under the heading of "consumer knowledge" may serve to illustrate how full of grounds for discussion or differences of opinion every phase of this subject is. With three of these eight conclusions most people in business would be likely to agree. The "elimination of fraud and misrepresentation in the printed and verbal description of products" is a proposal on which there can be no disagreement among honest folk. It is a good idea, but it will be a long time in complete fulfilment. Why? So also, the "vigorous prosecution" of family budget studies and studies of expenditures by suitable agencies of the Federal Government is

another proposal on which agreement would be general. Such studies certainly are useful and desirable, and with the present disposition to divert private funds from foundations into government channels, nobody could undertake them as effectively as the Federal Government. And a third is the recommendation for more courses on consumer problems in educational institutions. If these are the right kind of courses and are not used as a blind for special pleading by sociological crackpots, they would be desirable.

A fourth recommendation which might be widely accepted, although perhaps not unanimously, is that for "the expansion and a better coordination of government agencies to provide in adequate and popular forms information which consumers need for more efficient buying." This one has the earmarks of having been between the millstones of controversy. Nearly every word in it has a hollow ring to anyone who knows the habits of people in consulting government pamphlets when it comes to ordinary buying.

Two more of the recommendations in this group have to do with establishing and making use of consumer standards. These have some of those defects which some of us misguided mortals think we perceive in the whole present trend of the so-called "consumer movement." They assume that certain mechanical or technical or compositional specifications can be drawn which, if lived up to, will give the consumer satisfaction whether he knows anything about what they mean or not. Here are two of the defects in this technical spe-

cification plan: In the first place, if business men are as wicked as they are supposed to be, some of them will be able to meet the specifications and still have an edge on their competitors and give consumers poor value; and, in the second place, such specifications are to most consumers a foreign tongue by which they may easily be, and often are, misguided. A far simpler and more practical approach to this whole question of consumer specifications would be to let the consumers, individually and in groups, tell what is actually wanted in the way of performance, and leave the working out of the specifications to those to whom they mean something.

The remaining two among the "consumer knowledge" recommendations are those on which there is likely to be the most general disagreement. In one, it is recommended that consumer co-operatives be further organized. A better suggestion would have been that there be conducted a really complete and detached study of the environmental and personnel factors in co-operative distributing enterprises in this country during their checkered career of over a century. This would obviate much of the grief likely to follow if the recommendation for "further organization" were literally followed.

The remaining recommendation under the head of "consumer knowledge" is for a "differentiated pricing system for retail goods." Here again the record will point to the real answer. This has been tried over and over and given up so uniformly that there must

be a reason. Why not start by a search for that reason?

As to the eleven recommendations in the other two headings, almost anybody concerned with distribution would find differences in their desirability and feasibility, but probably no two persons would agree exactly. So, in the main, it might be well to accept, with or without reservations, the idea of more and better statistics, better management, better, though not necessarily more, government regulation, and—let me add—better and more mutually responsive contact between the minds of producers and consumers.

Reviewed by Paul T. Cherington.

Social Control of Business. By John M. Clark. McGraw-Hill Book Company, Inc., New York, 1939. 537 pages. \$5.00.

The problem of Government control over economic activity has loomed so large on the horizon during the past decade that Professor Clark, in revising his "Social Control of Business," has added a new fourth part entitled "The New Era: Depression and Comprehensive Control." Whereas, when the first edition made its appearance in 1926, the public utilities and the trusts were properly singled out as striking examples of the objectives and methods of social control, the issue has now been shifted to the broad substitution of Government for private initiative throughout the economic system.

While this volume, like all of Professor Clark's work, presents a method-

ical and balanced discussion of the historical, theoretical and more practical phases of the problem considered, it is to be regretted that the entire study was not rewritten in the light of the extensive new experience of the past decade, both here and abroad, with state economic regulation. The many gradations in public control, varying all the way from mild special regulations for some individual industries to outright Government ownership and operation of others, can be illustrated far more accurately than ever before by examples drawn from more recent experience. Efforts to exercise control in new directions, through monetary and banking legislation, taxation, and the like, strike at the roots of the problem and can hardly be given their due weight in relatively brief separate discussions in the new fourth part of the book.

Professor Clark points out the dangers, such as the discouragement of new capital outlays and weakening of judicial protections against administrative absolutism, inherent in the New Deal, although he concludes that it has been "an outstanding landmark in the struggle to secure an economic system which can justify itself by meeting the essential needs of the people who depend upon it." Similarly, while recognizing the dangers attaching to experiments with economic planning, he finds that "planning is better than improvisation, and integral designing better than pressure-group politics."

The reader will wonder in what way much of the recent economic planning in this country differs perceptibly from improvisation.

The author is on sound ground when he points out that State control is not entirely powerless in the face of supply-and-demand forces, since it can modify them. However, if the power of the Government over economic activity is to be extended sufficiently, Professor Clark warns, "something of what we are accustomed to think of as democracy may be lost." It may be questioned whether this loss would justify many of the benefits that the author sees in

recent extensions of social control over business.

The reader will find in this volume few clear-cut answers to the numerous issues raised by the extension of Government regulation over the economic system. He will find, however, a judicious marshaling of arguments, pro and con, which will necessarily clarify his own thinking and opinions on these points.

*Reviewed by Jules I. Bogen, Editor,
The Journal of Commerce.*

Briefer Book Notes

RETAILING PRINCIPLES AND PRACTICES. By G. Henry Richert. The Gregg Publishing Company, New York, 1938. 432 pages. \$2.00. A book designed as a school text for a course in retailing principles in secondary schools, junior colleges, and vocational schools. It gives the student a broad view of the functions of a retail store. The principles outlined are liberally illustrated with concrete cases of store practices.

DISTRIBUTION COST ACCOUNTING FOR WHOLESALING. By H. F. Taggart. Domestic Commerce Series—No. 106, U. S. Government Printing Office, Washington, 1939. 86 pages. 15 cents. This is another highly useful study issued by the Department of Commerce. The purpose of the booklet is to help all merchants to obtain better profits through more adequate planning and budgetary control. It explains how business records may be analyzed to determine the cost of each merchandising department, each commodity, each customer group, and each territory of sales. All methods of cost allocations and expense breakdowns used in the study have been tested and found satisfactory by the Department of Commerce or by trade associations and accountants of national reputation.

TESTING APPLICANTS FOR EMPLOYMENT. Prepared by Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1939. 33 pages. Gratis. A brief review of the progress that has been made in testing employees for jobs. The study gives a general picture of the testing problem and indicates methods of planning and installing a testing program. It discusses the administration of tests, gives examples of testing programs, and contains other helpful information.

SELLING IS A GAME. By Jack McCord. Prentice-Hall, Inc., New York, 1939. 155 pages. \$2.00. A pep-book on selling purporting to show how the winning techniques in the field of sports will help sales work. Mr. McCord says selling is a game and that the salesmen who follow the rules of the game will be the leaders in their fields. The sports fan salesman will find many lessons brought home to him in a vivid way.

EFFECTIVE RETAIL SELLING. By Bernard F. Baker. American Technical Society, Chicago, 1939. 287 pages. \$2.25. This book is for the person engaged in selling in the

retail store. It tells him how to sell, how to conduct himself in the presence of the customer, etc. The value of the book lies in the over-all picture it gives to the employee of his role in the coordinated work of the establishment. Display principles, selling methods, and the salesperson's part in developing business are some of the subjects covered.

DEMOCRACY MUST THINK. Round-Table Discussion, National Municipal League Series, Columbia University Press, New York, 1939. 65 pages. \$1.00. An informal round-table discussion on public opinion in a democracy from the National Municipal League's 44th Annual Conference on Government. Seven authorities in the major fields concerned in the formation of public opinion express their views on the subject. All are leaders in the fields of journalism, radio and the movies.

PICK YOUR JOB—AND LAND IT! By S. W. Edlund and M. G. Edlund. Prentice-Hall, Inc., New York, 1938. 300 pages. \$3.00. Gives helpful suggestions and methods for landing a job; shows how to fix a definite job goal, how to "discover" personal abilities, how to get to the right prospects, and how to use the methods devised by the "Man Marketing Clinic," which was run under the auspices of the Sales Executive Club of New York City.

SHOWMANSHIP IN BUSINESS. By Kenneth M. Goode and M. Zenn Kaufman. Harper & Brothers, New York, 1939. 226 pages. \$2.75. Completely revised and brought up to date with the inclusion of the latest material in the field, this book, now in its sixth edition, will continue to furnish the business man with the newest and most dazzling merchandising ideas. Practical inspirational stuff. Smart stunts backed up with good thinking.

KNOWLEDGE FOR WHAT? By Robert S. Lynd. Princeton University Press, Princeton, N. J., 1939. 268 pages. \$2.50. In his latest volume, the co-author of "Middletown" and "Middletown in Transition" delves into the processes of our social sciences and examines the pattern of American culture as it helps and as it cramps the needs of human beings. The work of each of the social sciences is analyzed concretely in relation to this pattern and the problems we face.

THE ART OF BEING A PERSON. By George Ross Wells. D. Appleton-Century Company, Inc., New York, 1939. 300 pages. \$2.50. The author of this volume, who is Professor of Psychology at Hartford Seminary Foundation, sets forth a prescription for attaining the happiness of a serene and useful life. Much information about how to understand yourself and others; discussion of such human problems as marriage, parenthood, group conduct, etc.

A TEXT-BOOK OF OCCUPATIONAL DISEASES OF THE SKIN. By Louis Schwartz, M.D., and Louis Tulipan, M.D. Lea & Febiger, Philadelphia, 1939. 799 pages. \$10.00. This work supplies the physician's need for detailed and systematized knowledge of industrial dermatology. It describes the pertinent industrial processes and chemicals employed in this country, outlines the background in which the actual dermatosis develops, and assists in the determination of the possible irritants to which a worker may be exposed. The subject matter is arranged by trades, occupations and professions, as well as by the causative agents. The book should prove exceedingly helpful in the recognition and prevention of occupational skin diseases.

THE EVOLUTION OF THE CLASSICAL WAGE THEORY. By Michael T. Wermel. Columbia University Press, New York, 1939. 190 pages. \$2.25. This book attempts to present a critical picture of the gradual evolution of those theoretical speculations on the subject of wages which after nearly two centuries of development crystallized in the Ricardian statement of subsistence wage theory. It is intended to be an outline of the development of the celebrated "Iron Law" rather than an appraisal of its validity.

BANK ADMINISTRATION. American Institute of Banking, Section American Bankers Association, New York, 1938. 560 pages. \$4.50. A textbook on the problems connected with the administration of a bank in the United States. The book presents these problems as clearly as possible, particularly in their long-time implications, discusses the methods by which those responsible for bank administration arrive at the decisions they make, and shows how they manage their portfolios, their personnel, and all the other phases of banking with which management must deal.

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